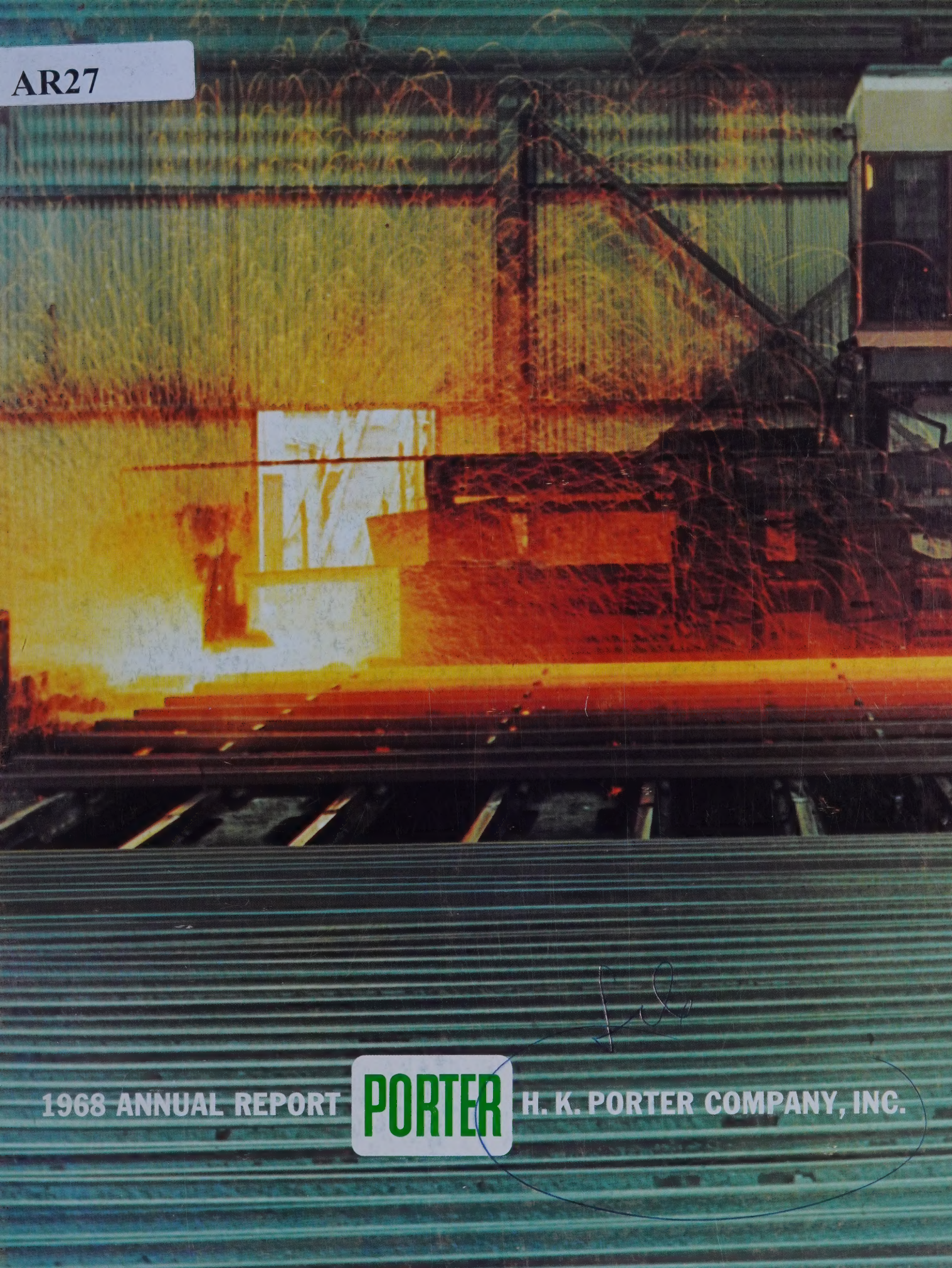


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1968 ANNUAL REPORT

PORTER

H. K. PORTER COMPANY, INC.



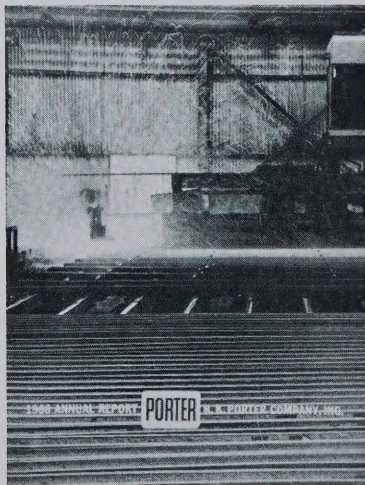
1968 ANNUAL REPORT

TABLE OF CONTENTS

	Page
Letter to Stockholders.....	1, 2, 3
Ten-Year Financial Summary.....	4
Statement of Consolidated Income.....	5
Consolidated Balance Sheet.....	6, 7
Statement of Consolidated Surplus.....	8
Statement of Changes in Consolidated Net Working Capital.....	9

OPERATIONS REPORT:

Metals and Products for Metals Industries.....	10, 11, 12, 13
Electrical Products.....	14, 15
Rubber, Friction, Asbestos and Textile Products.....	16, 17
Specialty Products.....	18
International.....	19, 20, 21



Front Cover:

This rolling mill hot bed equipment, installed last year as part of a continuing plant improvement program, contributed significantly toward setting new production and sales records for the West Virginia Works of Connors Steel Division.

DIRECTORS

CHARLES B. BATON
JAMES A. DRAIN
THOMAS M. EVANS
THOMAS M. EVANS, JR.
FRED C. FOY
ROY A. HUNT, JR.
GEORGE D. LOCKHART
J. STUART MORROW
CHARLES W. VEATCH

OFFICERS

THOMAS M. EVANS
Chairman
J. STUART MORROW
President
R. WILLIAM DAVISON
Executive Vice President
JOSEPH N. YORKE
Vice President-Finance
WILLIAM E. HAINES
Vice President-Government Relations
CHARLES P. STEWART, JR.
Vice President-Marketing
PAUL R. OBERT
Secretary and General Counsel
JOHN M. DIXON
Controller
WILLIAM H. HARTZELL
Treasurer
CLIFFORD E. WEISS
Assistant Treasurer

STOCK TRANSFER AGENT

The First National City Bank of New York,
New York

STOCK REGISTRAR

Morgan Guaranty Trust Company of
New York, New York

AUDITORS

Arthur Andersen & Co.
Pittsburgh, Pennsylvania

March 21, 1969

*To the Stockholders of
H. K. Porter Company, Inc.:*

The year 1968 was not a good year for the Company. Of our eight North American divisions and subsidiaries, six did not do as well from operations as in 1967. Our five overseas operating subsidiaries all did better than in 1967. The three principal reasons for the drop in earnings are as diverse as our operations: e.g., a marked differential between the cost of copper scrap and the producer copper price, on which the selling price of finished goods is based; the high, but temporary, cost of getting inventory and production control on computers; and the high cost of opening certain new plants and closing others. Many of these costs will not recur in 1969, but certain other operating losses will continue through much of the coming year. We have taken those steps which we feel are necessary to reverse the downturn in earnings experienced in the past two years. In some cases, drastic measures have been employed, such as closing our copper tubing operation.

SALES AND EARNINGS

Net sales in 1968 were \$279,121,958 compared to \$280,310,952 in 1967. Net earnings for 1968 amounted to \$3,830,210, including an extraordinary income credit, net of taxes, of \$949,001. Net earnings in 1967 were \$4,274,325.

Per share earnings in 1968 were \$2.24 per Common share, after provision for dividends on Preference Stock, as compared to \$2.57 per Common share in 1967. The extraordinary income credit in 1968 contributed \$.72 per Common share to 1968 earnings.

The Company continues to take advantage of accelerated depreciation for tax purposes and reports its earnings on the same basis. If the Company had reported earnings in 1968 on a straight line depreciation basis instead of the accelerated depreciation which is allowed by the Internal Revenue Service, after tax earnings would have been increased by \$.75 per share to \$2.99 per Common share compared with \$2.24 reported above.

Cash flow (earnings plus depreciation of \$8,606,362) for 1968 was \$8.75 per share of outstanding compared with \$8.79 per Common share in 1967.

ACQUISITIONS AND DIVESTMENTS

The most significant addition to the Company's operations in 1968 was the acquisition of Banks Miller Supply Company, Huntington, West Virginia. Banks Miller is an industrial distributor, whose facilities augment the sales function of several Company Divisions. Small acquisitions were also made in 1968 by the Company's Canadian and Australian subsidiaries. Consolidated earnings in 1968 include the operation of these companies from their respective dates of acquisition.

In December, 1968, the Company purchased 76% of the Common Stock and all of the secured indebtedness of Pacific Asbestos Corporation amounting to \$3,770,866, for the sum of \$2,284,046, which is shown on the balance sheet as an investment.

During 1968, the Cleveland Forge Works of the Fabricated Metals Division and Federal Wire & Cable Company, Ltd., a Canadian subsidiary, were sold. Profits generated by the sale of Federal Wire & Cable make up the major portion of the extraordinary item on the income statement.

NEW PLANTS AND PLANT IMPROVEMENTS

Capital expenditures for plant and equipment during 1968 totaled \$6,857,723. In the last five years the Company has spent \$48,522,001 for new plant and equipment, exclusive of assets of acquired companies, while depreciation has totaled \$40,258,172, during the same period.

The Electrical Division completed staffing and equipment installation at the Springdale, Ark., plant, which had been dedicated in late 1967. It is developing rapidly and the steel plant facility now produces all the structural requirements for outdoor substations. At the Ambridge Works, new equipment included a numerically controlled vertical boring mill that greatly reduces machining time. The Chicago Works built a substantial addition, with space primarily for high voltage switch assembly and also a portion for a new shipping area.

New facilities in the Fabricated Metals Division include a flat wire and shape cut-off machine at the Alloy Works; a complete quality control system at the Coupling Works laboratory; a new pusher furnace to increase annealing capacity at Riverside; a spindle-cone automatic machine at W-S Fittings Works. Because of new business, the Coldform Works expanded into part of another Division plant at nearby Richmond, Ky., and installed six flash butt welders and three rolling mills.

The Hardware and Industrial Products Division increased manufacturing capacity of machine knives and saw blades with a new heat treating facility at

the Philadelphia Works; the plant is also expanding both physically and with major equipment. Danville Works installed equipment to raise circular saw blade production by 50 percent.

Installations in the Refractories Division included batching facilities at Mullite Works; a kiln for making direct bonded brick at Pascagoula; and a dry press sleeve press at Clarion Works. New equipment for the St. Louis Central Research Laboratory enhances capabilities for fundamental research.

Construction and equipment installation at the Bellefontaine, Ohio, plant of the Thermoid Division continued, and the plant is scheduled for completion late this year.

The new Porter-Brazil plant in Recife was virtually completed and equipment is being installed for manufacture of electric motors. At Acton, Porter-Canada added specialized equipment for small circular saw blades and a new heat treating furnace for handsaws.

Highlights of Division operations are provided in the Operations Section, beginning on page 10.


FINANCIAL NOTES

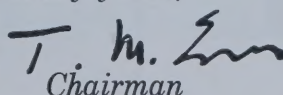
No definitive action has resulted from discussions with the Internal Revenue Service during 1968 in connection with its proposal to disallow certain deductions claimed in the years 1955 through 1960 attributable primarily to pre-acquisition and post-acquisition losses of the former National Electric Products Company (1959 through 1960) and the former Henry Disston & Sons, Inc. (1955 through 1960). It is the opinion of the Company's counsel that the contentions of the Internal Revenue Service are wholly without merit. Management is of the opinion that the accumulated tax reserve in the accounts at December 31, 1968, is adequate.

The Company's pension plans for hourly and salaried employees are accounted for and funded under the entry age normal and attained age normal methods respectively. Pension cost provisions for 1968 amounted to \$936,000, including amortization of prior service costs over approximately a 40-year period. The value of vested benefits exceeds the total of the pension fund and accruals by approximately \$3,350,000, as of December 31, 1967, which compares with \$3,525,000 for the same accrual on December 31, 1966.

During the year, in addition to dividends on Preference Stock, the Company paid four quarterly dividends of \$.40 per share to the holders of Common Stock.

Cordially yours,


President


Chairman

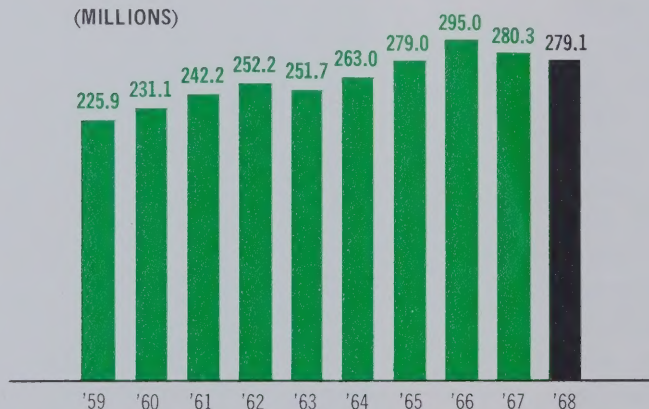
Ten-Year Consolidated Financial Summary

	Net Sales	Earnings Before Taxes	Earnings After Taxes	Working Capital	Charges for Depreciation and Amortization	Common Stockholders			
						Equity		Earnings Per Share*	Cash Flow Per Share*
						Total	Per Share*		
1959	\$225,956,904	\$11,167,942	\$6,731,885	\$44,337,209	\$7,005,488	\$53,421,819	\$40.42	\$4.16	\$ 9.46
1960	231,131,488	6,397,062	4,093,525	42,030,356	7,438,203	54,502,194	41.23	2.10	7.73
1961	242,157,668	5,998,039	3,458,311	58,632,347	7,964,130	55,061,457	41.66	1.67	7.70
1962	252,179,013	8,081,021	4,169,876	60,637,259	8,019,663	56,320,073	42.61	2.25	8.32
1963	251,687,132	7,887,498	4,014,498	59,034,679	7,674,758	56,352,722	42.63	2.21	8.02
1964	263,045,895	9,274,434	5,134,434	52,652,597	7,704,340	58,779,026	44.47	3.19	9.02
1965	278,990,242	10,701,308	5,713,308	55,080,148	8,043,894	61,804,687	46.76	3.65	9.74
1966	294,985,335	13,929,090	7,440,090	61,278,812	7,683,682	66,587,079	50.38	5.01	10.82
1967	280,310,952	7,702,325	4,274,325	53,772,790	8,219,894	67,851,601	51.33	2.57	8.79
1968	279,121,958	6,948,537	3,830,210	56,570,300	8,606,362	68,716,865	51.99	2.24	8.75

*Adjusted for stock dividends and splits

NET SALES

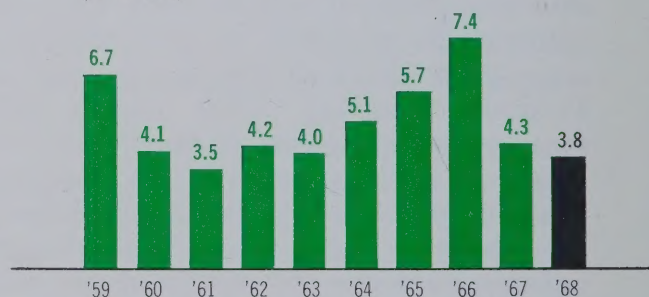
(MILLIONS)



NET EARNINGS

(after taxes)

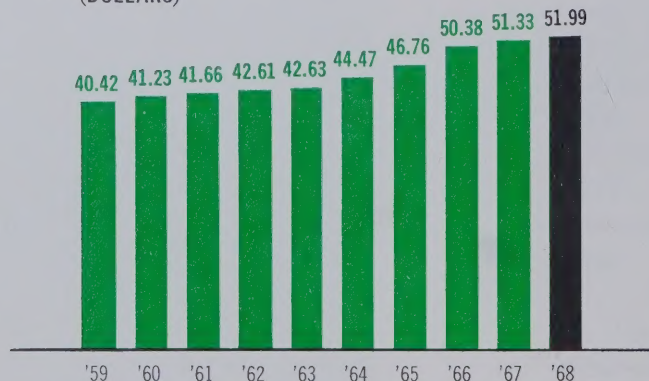
(MILLIONS)



COMMON STOCKHOLDERS EQUITY

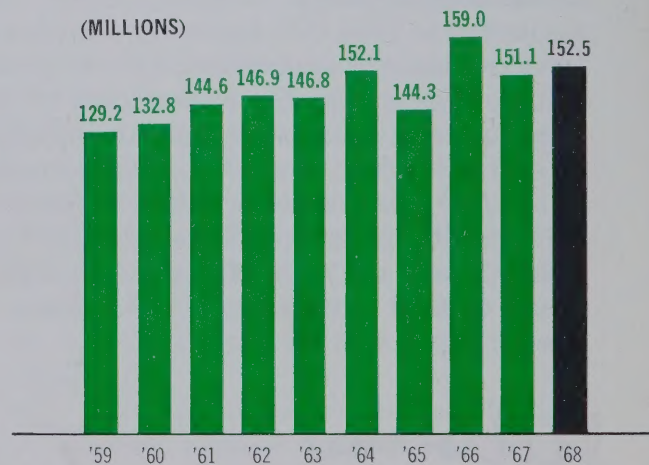
per share (adjusted for stock dividends and splits)

(DOLLARS)



GROWTH IN TOTAL ASSETS

(MILLIONS)





Statement of Consolidated Income

For the Years Ended
December 31, 1968 and 1967

	1968	1967
Net Sales	\$279,121,958	\$280,310,952
Cost of Sales	<u>242,554,367</u>	<u>242,515,798</u>
	36,567,591	37,795,154
Selling, General and Administrative Expenses	<u>29,219,258</u>	<u>28,581,372</u>
	7,348,333	9,213,782
Other Charges, Net:		
Interest on borrowings	2,039,566	2,096,451
Less other credits—		
Gain on disposals of capital assets	72,474	556,474
Miscellaneous income, net	<u>243,295</u>	<u>28,520</u>
Total other charges, net	<u>1,723,797</u>	<u>1,511,457</u>
Net Income Before Provision for Taxes and Extraordinary Item (after depreciation of \$8,606,362 in 1968, and \$8,219,894 in 1967—principally computed using accelerated methods)	5,624,536	7,702,325
Provision for Taxes on Income	<u>2,743,327</u>	<u>3,428,000</u>
Net income before extraordinary item	2,881,209	4,274,325
Extraordinary Item , net of \$375,000 income tax (Page 2) ..	<u>949,001</u>	<u>—</u>
Net income for the year	<u>\$ 3,830,210</u>	<u>\$ 4,274,325</u>
Net Income per Share of Common Stock:		
Income before extraordinary item	\$1.52	\$2.57
Extraordinary item, net of income tax	<u>.72</u>	<u>—</u>
Net income for the year	<u>\$2.24</u>	<u>\$2.57</u>

Consolidated Balance Sheet

ASSETS	1968	1967
Current Assets:		
Cash	\$ 8,390,612	\$ 6,758,016
Marketable securities, at cost (approximately market)	800,892	1,465,941
Receivables, less allowance of \$960,697 in 1968	34,165,903	33,698,893
Inventories, at lower of cost or market:		
Raw materials and supplies	17,756,637	17,123,883
Work in process	16,715,788	16,977,116
Finished goods	19,789,693	20,073,315
	<u>54,262,118</u>	<u>54,174,314</u>
Less allowance to state certain inventories on LIFO basis	6,131,196	5,975,667
Total inventories (including \$35,217,821 on LIFO basis in 1968)	48,130,922	48,198,647
Prepaid insurance and other	860,745	836,645
Total current assets	<u>92,349,074</u>	<u>90,958,142</u>
 Investment in Pacific Asbestos Corporation, at cost . . .	 <u>2,284,046</u>	 <u>—</u>
 Other Assets	 <u>1,599,430</u>	 <u>1,621,341</u>
 Property, Plant and Equipment, at cost, less depletion, depreciation and amortization:		
Land	3,750,083	3,613,516
Buildings	39,257,517	38,264,275
Machinery and equipment	119,885,277	118,624,934
	<u>162,892,877</u>	<u>160,502,725</u>
Less accumulated depreciation and amortization	106,662,069	101,990,548
Net property, plant and equipment	56,230,808	58,512,177
	<u>\$152,463,358</u>	<u>\$151,091,660</u>



December 31, 1968 and 1967

LIABILITIES	1968	1967
Current Liabilities:		
Short-term loans and current portion of long-term debt . . .	\$ 4,691,095	\$ 5,326,288
Accounts payable, trade	12,148,757	13,296,963
Accrued payrolls, taxes and other liabilities	10,938,688	10,721,841
Accrued taxes on income (Note page 3)	7,256,484	6,819,671
Accrued pension expense (Note page 3)	743,750	1,020,589
Total current liabilities	<u>35,778,774</u>	<u>37,185,352</u>
Long-Term Debt, less current portion:		
5¼% promissory notes, payable April 1, 1976; annual prepayment of \$2,000,000 through 1975	19,000,000	21,000,000
5¼% to prime plus ¼% bank notes, payable 1971 and 1973; annual payment of \$1,142,857 at option of holder	10,714,286	6,857,143
Other, various rates and maturities through 1981	1,159,611	1,415,287
	<u>30,873,897</u>	<u>29,272,430</u>
Deferred Income and Other	<u>1,398,322</u>	<u>952,777</u>
Stockholders' Equity:		
5½% cumulative sinking fund preference stock— par value \$100 per share—subject to annual sinking fund requirements—authorized 205,979 shares, issued 175,010 shares, less 18,055 treasury shares in 1968	15,695,500	15,829,500
Common stock—par value \$5 per share— authorized 3,000,000 shares, issued 1,322,587 shares, less 804 treasury shares	6,608,915	6,608,915
Capital surplus	2,505,044	2,690,909
Earned surplus (\$5,707,587 for common stock or \$8,707,587 for preference stock not restricted in 1968 as to cash dividends under loan agreements)	59,602,906	58,551,777
Total common stockholders' equity	<u>68,716,865</u>	<u>67,851,601</u>
Total stockholders' equity	<u>84,412,365</u>	<u>83,681,101</u>
	<u>\$152,463,358</u>	<u>\$151,091,660</u>

Statement of Consolidated Surplus

For the Years Ended
December 31, 1968 and 1967

1968

1967

Capital Surplus:

Balance beginning of year	\$ 2,690,909	\$ 2,893,727
Deduct—		
Net excess of cost over (under) par value of capital stock reacquired	(20,529)	12,307
Transfer to earned surplus of portion of excess of book values of net assets of acquired companies over investments therein deemed to be realized through sales, retirements or depreciation	206,394	190,511
Balance end of year	<u>\$ 2,505,044</u>	<u>\$ 2,690,909</u>

Earned Surplus:

Balance beginning of year	\$58,551,777	\$57,084,437
Add—		
Net income for the year	3,830,210	4,274,325
Transfer from capital surplus, as explained above	206,394	190,511
	<u>62,588,381</u>	<u>61,549,273</u>
Deduct—		
Dividends on:		
4¼% Preferred stock	—	11,490
5½% Preference stock	870,622	871,153
Common stock—\$1.60 per share	2,114,853	2,114,853
	<u>2,985,475</u>	<u>2,997,496</u>
Balance end of year (\$5,707,587 for common stock or \$8,707,587 for preference stock not restricted in 1968 as to cash dividends under loan agreements)	<u>\$59,602,906</u>	<u>\$58,551,777</u>



Statement of Changes in Consolidated Net Working Capital

For the Years Ended
December 31, 1968 and 1967

	1968	1967
Source of Net Working Capital:		
Net income	\$ 3,830,210	\$ 4,274,325
Depreciation and amortization	8,606,362	8,219,894
Cash flow	12,436,572	12,494,219
Long-term bank loan	5,000,000	—
Disposals of property, plant and equipment	1,363,513	1,036,616
Decrease in other assets	87,516	360,032
Working capital in acquired operations, net of cash outlay	561,504	540,144
	<u>19,449,105</u>	<u>14,431,011</u>
Use of Net Working Capital:		
Additions to property, plant and equipment	6,857,723	12,853,210
Dividends paid	2,985,475	2,997,496
Retirement of long-term debt, net	3,581,615	4,389,582
Investment in non-consolidated subsidiary	2,284,046	—
Net decrease in other non-current liabilities	829,265	1,029,738
Reacquisition of preferred and preference stock	113,471	667,007
	<u>16,651,595</u>	<u>21,937,033</u>
Net increase (decrease) in working capital	<u>\$ 2,797,510</u>	<u>\$ (7,506,022)</u>

Accountants' Report

To the Stockholders and the Board of Directors,
H. K. Porter Company, Inc.:

We have examined the consolidated balance sheet of H. K. PORTER COMPANY, INC. (a Delaware corporation) and subsidiaries as of December 31, 1968, and the related statements of income, surplus and changes in net working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income, surplus and changes in net working capital present fairly the financial position of H. K. Porter Company, Inc. and subsidiaries as of December 31, 1968, and the results of their operations and the changes in net working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Pittsburgh, Pennsylvania
January 24, 1969

OPERATIONS REPORT *Domestic*

METALS

Connors Steel Division

Hot rolled merchant bars and bar shapes, concrete reinforcing bars, subpurlins, cold finished bars, mine roof bolts, special sections, light rails, mine ties, steel posts. Plants at Birmingham, Ala.; New Orleans, La. and Huntington, W. Va.

B. Campbell Blake

Vice President and General Manager

During 1968, the Connors Steel Division continued growth through increased production and greater market penetration for high quality steels and specialized applications. A three year labor contract signed with the United Steelworkers of America will be in effect until the fall of 1971.

Production and sales increases for the West Virginia Works have been reported for several years. Again, in 1968, the Works set new records for total sales as well as for tons melted and shipped. Realignment of the sales organization emphasized the special sections market in general, and the truck trailer and containerization segments in particular.



West Virginia Works set new production records for seventh consecutive year.



Metalworking industry makes extensive use of Connors hot rolled merchant bars, light structurals, and cold finished bars.

In an effort to offset inroads from foreign competition, the Connors Works sought to strengthen its market position through improved mill efficiency and the manufacture of high quality products. After considerable experimentation, the technique of casting billets in configurations other than squares has been developed. This casting innovation requires fewer passes in the rolling mill, resulting in greater efficiency.

The new casting method, combined with progress such as expanded production of forging bars and more rigid quality control measures, continues the trend toward product diversification for specialized high quality applications.



Special steel sections lead trend toward product diversification for specialized high quality applications.

PRODUCTS FOR METALS INDUSTRIES

Refractories Division

Manufacturer of a complete line of basic, pitch-bonded periclase, mullite, fireclay, high alumina and pouring pit refractories for use in steel, ferrous, nonferrous, cement, glass, aluminum, copper and all other industries. Standard brick, monolithic, suspended arches and supported wall constructions. Eleven plants in Bessemer, Ala.; Shelton, Conn.; Pascagoula, Miss.; Fulton and St. Louis, Mo.; Hammondsville, Irondale, Uhrichsville and Wellsville, Ohio; St. Charles and Vanport, Pa.

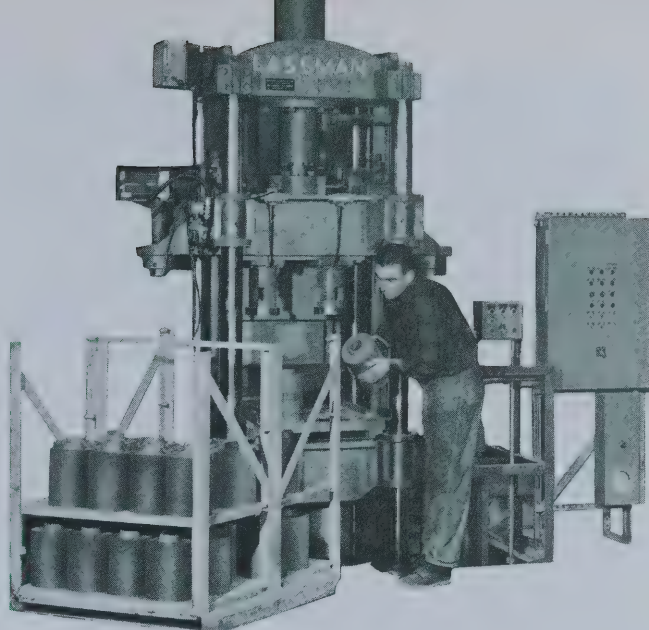
J. Allen Pierce

Vice President and General Manager

Sales of the Refractories Division, in general, tended to run at a high rate during the first half of the year and at a lower rate thereafter, reflecting the same kind of activity in the steel production rate. Improved market diversification, new products, increased engineering contracts, and special emphasis on the distributor program will all contribute significantly to future progress.

Product lines were expanded and new products introduced successfully during 1968. Among these were Ram plastic fire brick of higher temperature resistance for the metals industries; direct bonded basic brick from Pascagoula; extra dense bloating type ladle brick; both bloating and volume stable nozzles for steel pouring ladles; dry press sleeves; and additional Extar BOF brick grades.

The Fulton Works, in particular, is broadening product lines, and will install new air ramming systems to increase productivity of fireclay and high alumina brick. Among other orders, the Works supplied fireclay brick requirements for a complete



New hydraulic dry press machine produces dry press stopper rod sleeves at the Clarion Works.

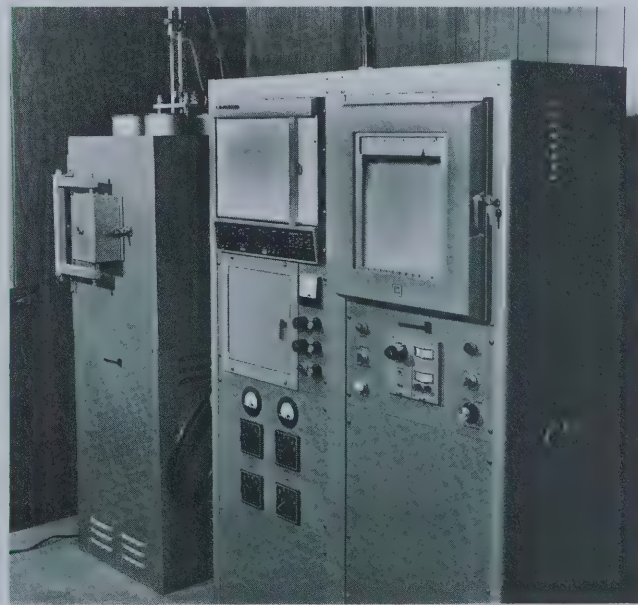
blast furnace stove. Mullite brick from the Shelton, Conn., plant was also delivered for the same job.

New plant equipment forms a vital part of plans for continued growth in coming years. Installations during 1968 included batching facilities at the Mullite Works; combustion air supply fans for tunnel kilns at Buckeye Works; a kiln for making direct bonded brick at Pascagoula; a dry press sleeve press at Clarion Works; and improvements in the flexibility of the batching unit at Vanport Works. Equipment scheduled for 1969 includes special weigh batching units (Mullite); and an electrostatic printing system for marking brick, and modification to the seawater reactivity system (Pascagoula).

At the Central Research Laboratory, St. Louis, a flue gas analyzer and a dilatometer were installed. The dilatometer is valuable in improving fundamental research capability with raw materials.



Partial view of new 286-foot-long tunnel kiln, at Pascagoula, for direct bonded basic brick.



Recently-installed dilatometer at St. Louis Research Laboratory greatly aids research into adaptability of raw materials for various mixes.

FABRICATED METAL PRODUCTS

Fabricated Metals Division

Automotive Group: functional and decorative cold formed sections. Fabricated Group: hose and coupling assemblies, forged steel and aluminum fittings and branch connections, copper tubing. Mill Group: copper-base, stainless steel and nickel base alloys in wire, rod and strip, fine wire specialties in both ferrous and nonferrous metals. Plants at Frankfort and Richmond, Ky.; Holyoke, Mass.; Riverside and Roselle, N. J.; Prospect Park, Pa. and Stuarts Draft, Va.

Charles R. Rinehimer

Vice President and General Manager

Total Division sales increased during 1968 despite the sale of Cleveland Forge Works in October. Further gains will be made in 1969 by concentrating on specialized markets, and by closer coordination with distributors—the largest single market.

To improve effectiveness of the specialized selling efforts, the sales organization was realigned into three groups, each with a Sales Manager. The groups are: Automotive, for products from the Coldform plants at Frankfort and Richmond, Ky.; Fabricated, for products from the Coupling, W-S Fittings, and Stuarts Draft Works; and Mill, for products from the Alloy, Prentiss, and Riverside Works.

The Alloy Works introduced bright finish stainless wire and additional coatings for stainless spring wire, effectively broadening those particular lines. Installation of a new flat wire and shape cut-off machine enables the Works to service customers requesting the operation. New equipment scheduled for 1969 includes a multi-stand flat wire tandem roll

and additional equipment to produce larger coils.

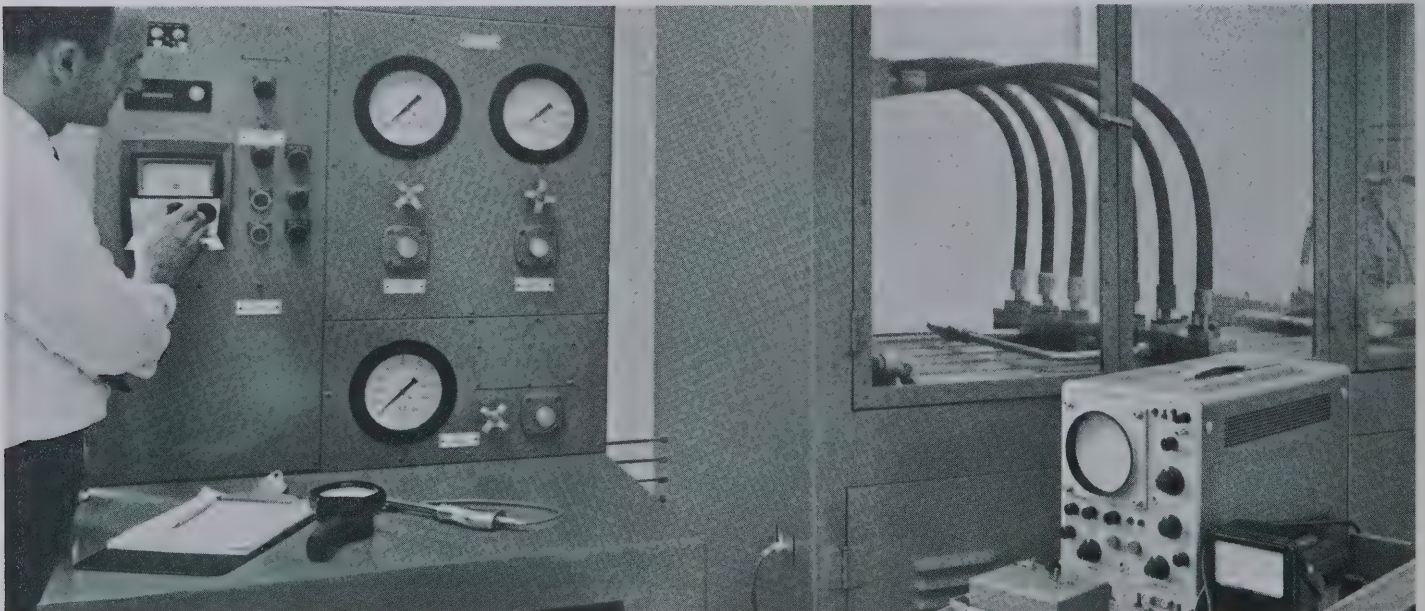
The press of new business at the Coldform Works in Frankfort, Ky., demonstrated that an expansion of this facility was absolutely essential, if desired production rates were to be met. Therefore, the Division took over unused space in a plant in neighboring Richmond, Ky., which is mainly used by another Porter Division. In this space were installed six new flash butt welders and three 2-inch rolling mills. Additional equipment will be added in 1969 as required.

Increased penetration of the architectural field is expected as cold formed wall-framing components, custom-made by Porter for a major corporation, are proving successful. Coldform entered another new market with an order for sign components, received from a major automotive company, which will extend several years.

New equipment at the Coupling Works is expected to cut delivery cycle time, and concentration on specialized product areas should increase sales in 1969. Installation of laboratory equipment included an impulse tester and a complete quality control system.

The Prentiss Works continues a diversification program for new products geared to present and future needs of the wire industry. Along with diversification, the Works has instituted new manufacturing changes necessary for a modern specialty redraw mill. During 1969, new equipment will increase annealing capacity and expand production.

Operations at both Stuarts Draft and Riverside



As part of rigid quality control at the Coupling Works, an impulse tester is used to check Fluid-Tite hose assemblies.



New 110-foot-long pusher furnace at Riverside Works anneals products at rate of 4,000 pounds per hour.

Works were severely affected by fluctuations in the copper market, although shipments were substantially ahead of 1967 at Riverside. At this Works, a new pusher furnace was installed to increase annealing capacity, and permit more effective scheduling of customer orders.

The W-S Fittings Works installed a spindle-cone



Automatic multi-station machine at W-S Fittings Works for manufacturing elbows and tees in sizes up to 1 inch.

automatic machine and spindle chucker large washing machine with the aim of shortening delivery time. More new equipment on order for 1969 will increase flexibility in servicing customers. In anticipation of increased plant and equipment outlays by the petrochemical and utility industries, the Works is expanding existing product lines for those markets.



Four of the six new flash butt welders installed at the Coldform Works operation in Richmond, Kentucky.

ELECTRICAL PRODUCTS

Electrical Division

Air Conditioning Group: "Marlo Coil" heat transfer, commercial and industrial air conditioning equipment, "Peerless Electric" standard and special electric motors, industrial and commercial fans and blowers and ventilating equipment. **Electrical Construction Group:** "Superior" metal trim, "National Electric" conduit and fittings, surface and underfloor raceway systems, floor boxes, ladder-way, special defense products. **Switchgear Group:** "Delta-Star" high and low voltage switches, isolated phase and industrial bus, substations, connectors, terminators, cable accessories. **Transformer Group:** "Delta-Star" distribution and power transformers, current collector systems. Plants at Springdale, Ark.; Belmont and Los Angeles, Calif.; Chicago, Ill.; St. Louis, Mo.; Warren, Ohio; Ambridge, Pa. and Lynchburg, Va.

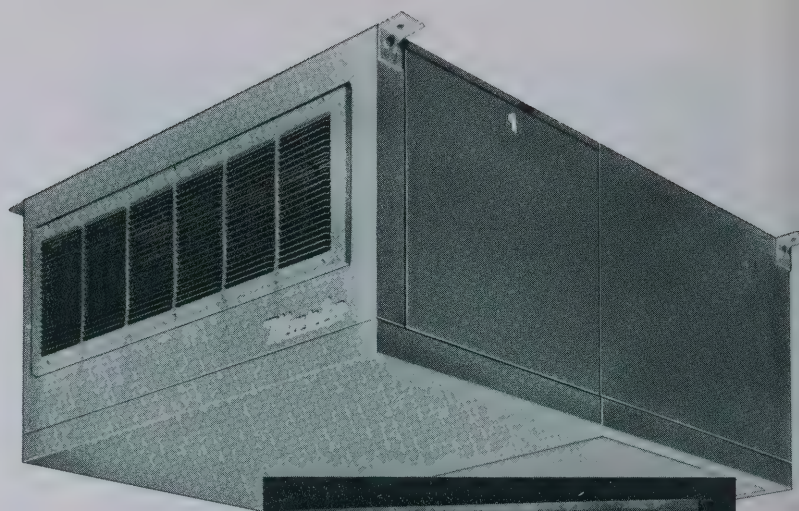
Walter A. Curtis

Vice President and General Manager

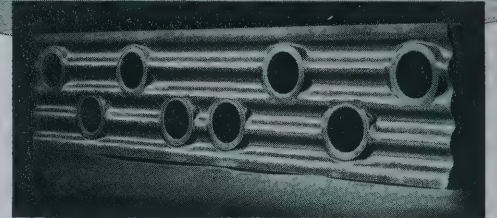
The Electrical Division again saw a good year in important areas. Market penetration increased, and sales and shipments were again at record levels. New products developed at each of the engineering locations will provide customers with the most advanced electrical products available now and in coming years. The modernization of manufacturing capability, including installation of varied new equipment, continued an expansion-growth program that had started with new manufacturing buildings and additional space.

In planning for future growth and to improve service for widely differing customer requirements, the Division was restructured into four groups. Descriptions and highlights for each follow.

Air Conditioning Group: Los Angeles Works, Marlo Coil Works, and Warren Works. During the year, this group introduced high capacity fan coil

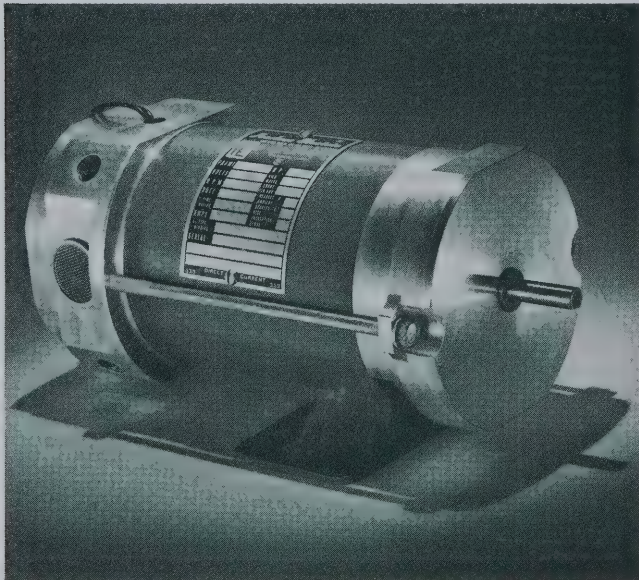


"Marlo" high capacity fan coil unit features new "TURBEX" fin design that provides higher heat transfer surface within limited space.

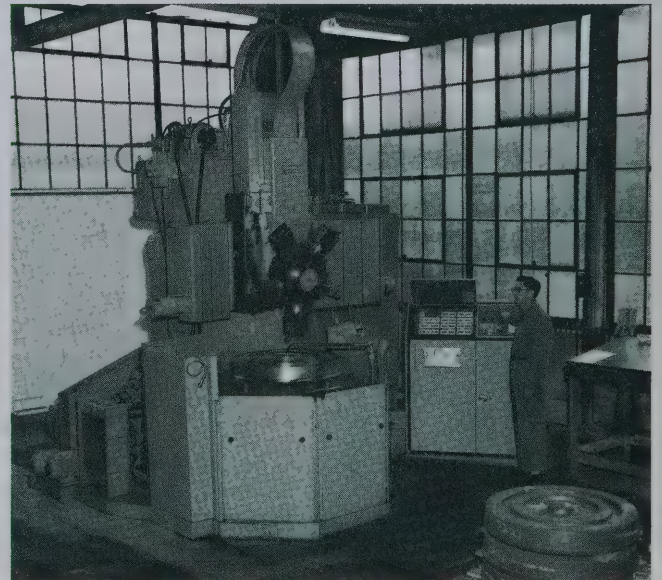


units, new air handling products, an expanded line of permanent magnet motors, inverted motors and generators, and also broadened product lines. A new "TURBEX" fin design for Marlo coils provides higher heat transfer surface within limited space.

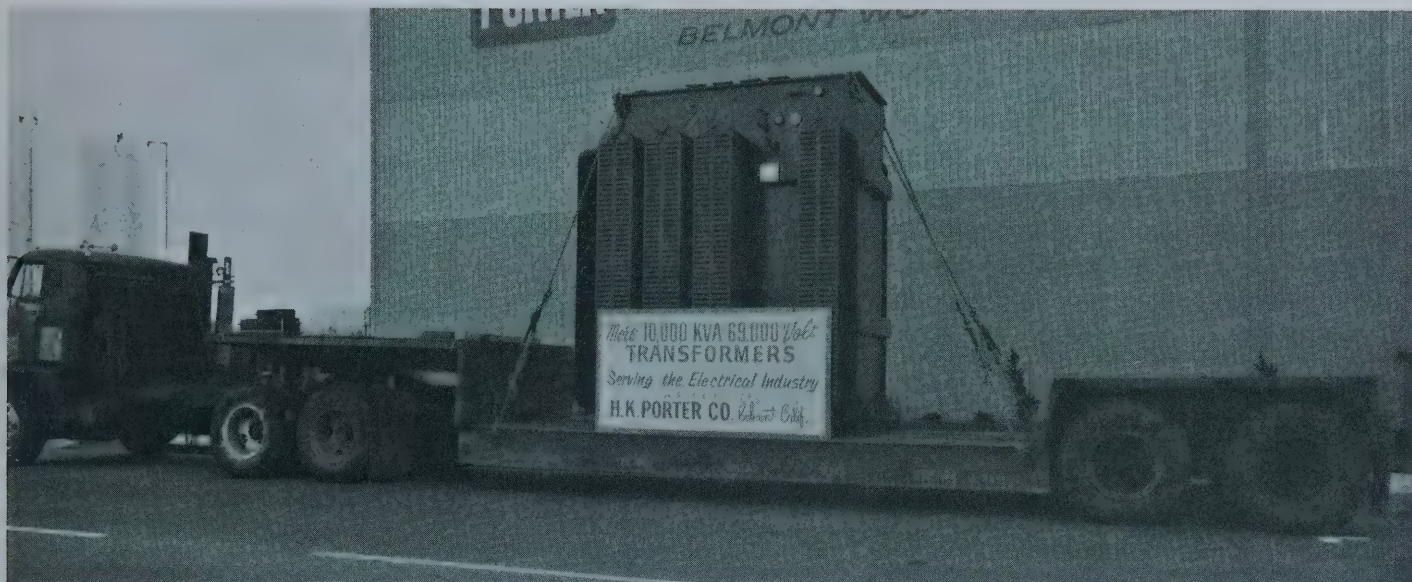
Electrical Construction Group: Ambridge Works. Sales increased over the previous year, a new numerically controlled vertical boring mill and heavy duty shear-stock straightener were installed, and several new products are scheduled for 1969 introduction. These include a 100 ampere general distribution system, 20 ampere fixture support distribution system, two high capacity Surfaceduct lines, and "National Electric" aluminum ladder-way (already in production). A long range capital equipment replacement program will result in increased capacity for underfloor raceways and electrical metallic tubing (EMT).



New line of "Peerless Electric" direct current permanent magnet motors offer efficiency, compact size, light weight.



Now in operation at the Ambridge Works, this numerically controlled vertical boring mill greatly reduces machining time.



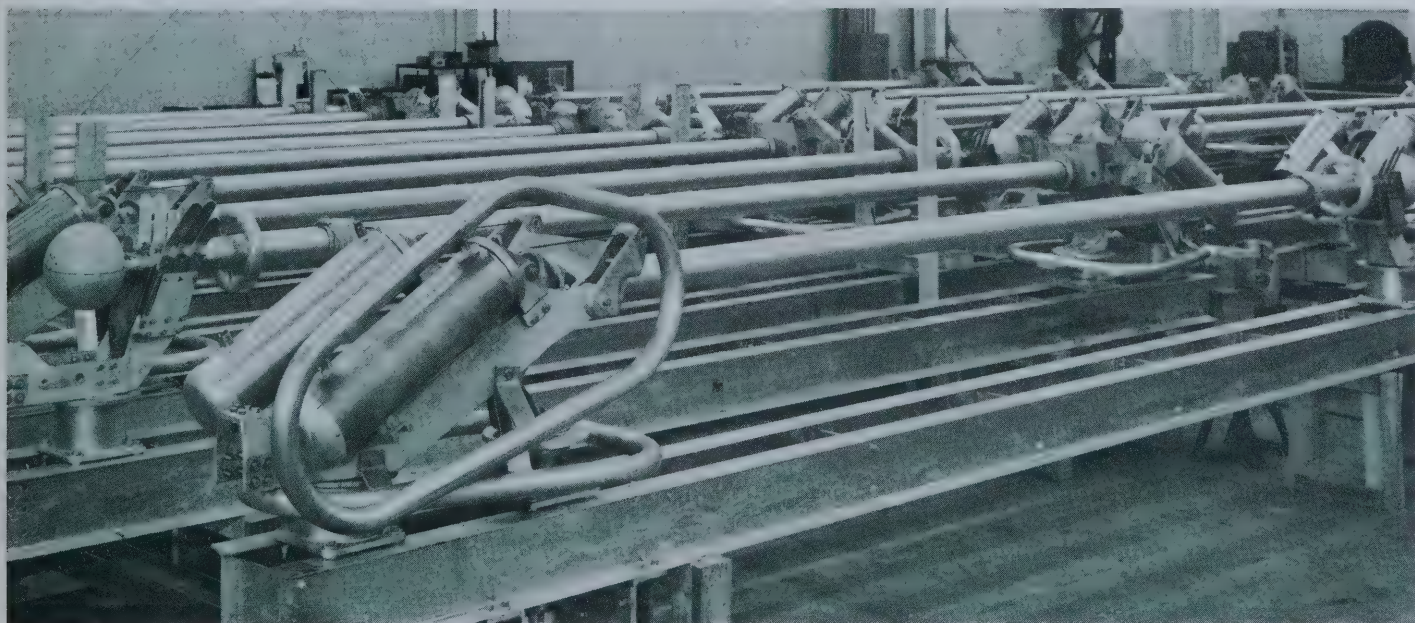
Typical 10,000 KVA transformer ready for delivery from the Belmont Works.

Switchgear Group: Chicago Works and Springdale Works. In 1968, the Chicago Works built a substantial addition, with the space allocated primarily for high voltage switch assembly and a new shipping area. The result has been apparent on both production and overall plant efficiency. Also at Chicago Works, the new MARK-40 vertical break switch line expanded to include all voltages from 115 KV through 765 KV; and the first order for 765 KV switches—highest commercial voltage in the nation—was received. During the year, the Works shipped the highest capacity (28,000 amperes) bus built to date. It features a cooling unit manufactured by the Marlo Coil Works.

The Springdale Works is developing rapidly as the distribution product plant of the Switchgear Group. Its steel plant facility now produces all the

structural requirements for outdoor substations, and has considerable growth potential. In addition, the engineering development group has designed several distribution voltage switch products for manufacture at Springdale. Major development work also continues in high voltage circuit interruption and artificially cooled high capacity bus.

Transformer Group: Belmont Works and Lynchburg Works. From both strategically-located plants, the Division serves industry needs for distribution transformers; and the large distribution and power transformer lines have been expanded up to 10,000 KVA. A new addition to the already broad line of current collector systems and components is "SELECTRO-BAR," an insulated conductor system for electrification of main runways, control circuits, and cross travels.



Part of Chicago Works addition is utilized for assembly of high voltage switches such as these 500 KV air disconnect switches.

RUBBER, FRICTION, ASBESTOS AND TEXTILE PRODUCTS

Thermoid Division

Asbestos Group: asbestos textile products including cloth, carded fiber, lap, rope, roving, tape, wick, and yarn. Rubber Group: industrial and automotive hose, belting, sponge rubber, V-belts, rotary hose, tape and molded rubber. Textile and Friction Group: wire-reinforced ducting, power transmission belts, automotive friction products including brake linings and clutch facings, and polyvinyl chloride impregnated conveyor belts. Plants at Middletown, Conn.; Huntington and Lafayette, Ind.; Chanute, Kan.; Richmond, Ky.; Trenton, N.J.; Charlotte and Davidson, N.C.; Bellefontaine, Ohio; Philadelphia, Pa.; Bennettsville, S.C. and Nephi, Utah.

During 1968, the Thermoid Division continued concentration on programs aimed at streamlining the marketing organization and strengthening relations in important sales areas. In particular, the Division emphasized maximum product-sales aid support to distributors; specialized product engineering service for original equipment manufacturers; and on-the-spot service from field teams to help automotive replacement part distributors and dealers promote the automotive Thermoid Red Streak product line.

To intensify opportunities to penetrate specific markets as well as to solidify existing positions, the Division was restructured into three groups. The new concept permits faster coordination between plant and marketplace, and enables the sales force to concentrate on relatively narrow product ranges rather than widespread, varying lines.

Each group is a self-contained unit with General Manager and complete administrative, sales, accounting, new product development, and works management staff. In addition, each of these marketing-manufacturing units have continuing campaigns, directed at customers and employees,



Improved laboratories at each of the Textile and Friction Group plants not only aid in new product development and evaluation, but in customer product analysis.

stressing the theme of "Thermoid dependability"—in product performance, service, and delivery. Brief descriptions of the groups follow.

The Asbestos Group, offering a complete line of asbestos textile products, consists of the Bennettsville, Charlotte, and Davidson Works. During the year, this group developed improved asbestos cloths for the laundry industry and also introduced a new product for paper dryer felt weaving. Rewettable asbestos lagging cloth, marketed in late 1967, continued an excellent sales showing. Plant improvements scheduled for the coming year include new treating equipment, increased yarn and weaving capacity, and research and development refinements.

The Textile and Friction Group comprises the Amco, Chanute, Richmond, and Russell Works, with each plant having a laboratory for product development, evaluation, and customer product analysis. Major product lines are flexible ducting for both industrial applications and specialized requirements such as in aircraft; power transmission belts; automotive friction products; and polyvinyl chloride (PVC) conveyor belts. The PVC conveyor belting features an exclusive solid-woven construction that makes it highly suitable for tough applications requiring resistance to wear, impact, liquids, and jagged edges. In addition to mining applications, for which the belt was originally designed, excellent sales potential exists in numerous industrial plants for conveyance of material ranging from sand and brick to batteries and scrap metal. In the friction line, several new products will be placed on the market during 1969, among them disc brake pads and brake blocks.

The Rubber Group is the largest, with manufacturing operations at Bellefontaine, Ohio; Lafayette, Ind.; Nephi, Utah; Philadelphia, Pa.; and Trenton,



The Rubber Group manufactures hundreds of hose types, many designed for specific industries, ranging from in-plant fire hose (illustrated) and creamery hose to dredging hose and hydraulic hose.



With a dependable record of millions of tough miles behind them, Thermoid brake blocks are increasingly specified by long and short haul fleet operators.

N.J. Major products include all types of hose, conveyor belt, sponge rubber, V-belts, rotary hose, tape, and molded rubber. A significant development during the year was Thermoid Sta-Flote, an integrally buoyant oil suction and discharge hose for offshore single point mooring systems. With huge 300,000 DWT tankers already in service, and million DWT tankers highly probable in the near future, the Division expects to play a leading role as a prime supplier of the floater hose.

During the latter part of 1969, the Bellefontaine plant is scheduled for operation as a fully integrated facility in manufacturing various hose products, including car heater hose. At the Brown Rubber



Finished products such as the suit and gloves are manufactured from treated asbestos textile cloths supplied by the Textile and Friction Group.

Works in Lafayette, closed cell extrusion and curing lines will be installed; and six presses will enable expansion of Redi-Curve hose production. Among other important plant projects for 1969, the Nephi Works will install equipment for flexible mandrel production of all types of wire braid and spiral wound hydraulic hose.

In conjunction with the three new Groups, a nationwide chain of 12 warehouses operates to serve distributors and industrial customers as quickly as possible. Each is a customer service center, under direction of a regional sales manager responsible for the branch operation, providing immediate service on product, quotation, and application.



While widely accepted in coal mine operations as shown here, Thermoid solid-woven PVC (polyvinyl chloride) conveyor belting also has excellent sales potential in virtually every industry.

SPECIALTY PRODUCTS

Hardware and Industrial Products Division

"Disston" saws and cutting tools for lumber and metal-working industries, hand, power tools, and steel tape rules for artisan and home use, garden tools, machine knives. Plants at Monrovia, Calif.; Philadelphia, Pa.; Danville, Va. and Seattle, Wash.

John W. Puth

Vice President and General Manager

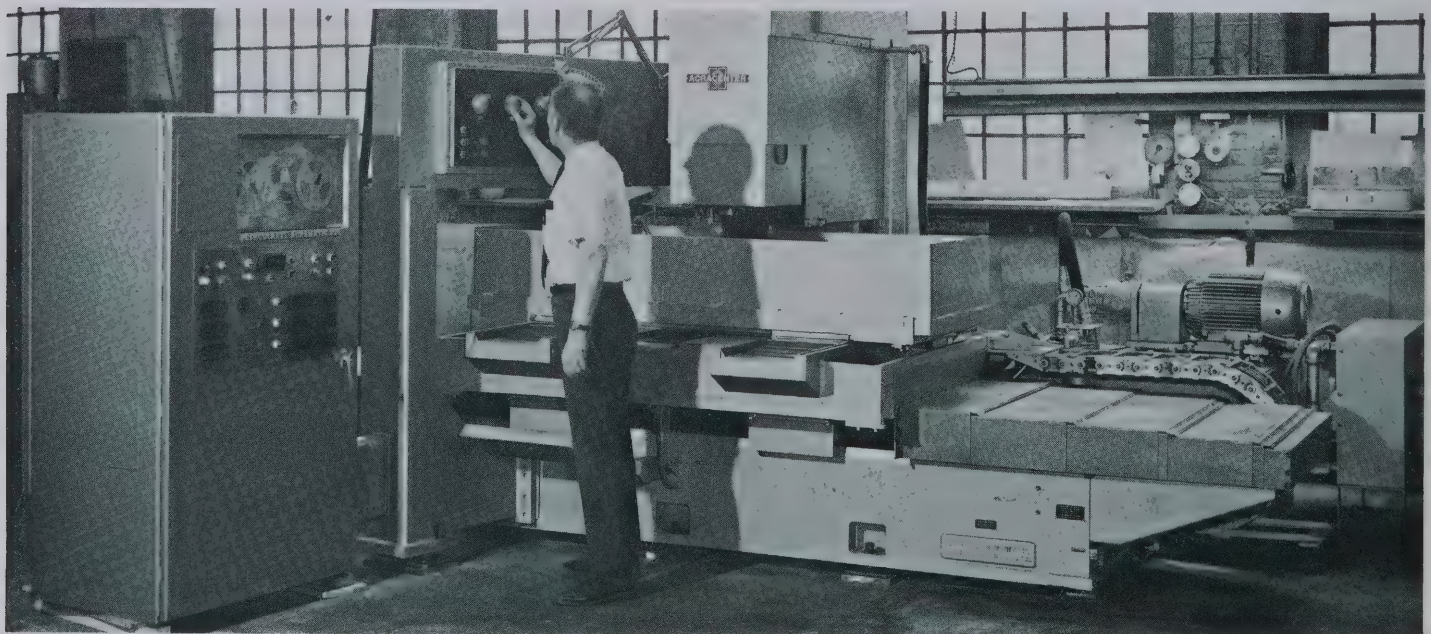
The past year provided the Division with an excellent opportunity for growth, with record orders received and a substantial sales increase over 1967, despite a 15 week strike at the Seattle Works. The major cause of these gains was the high level of industrial activity, most specifically in the lumber industry where a wide variety of "Disston" products are utilized. In the hardware market, new products and strong merchandising efforts coincided with an upturn in housing starts to establish record sales in most product categories.

The capital improvement program is proceeding at a high level as sales increases create continual expansion requirements. During the year, equipment was installed at the Danville Works, raising circular saw capabilities 50 percent; and a similar project is under way for metal cutting, hack and band saw products. At Philadelphia, a new atmospheric heat treating facility has had a substantial effect on both efficiency and capacity in the manufacture of machine knives, saw blades and specialty products. In addition, Philadelphia has undertaken the largest development program since its acquisition in 1954. This involves physical plant expansion and major equipment purchases for the introduction of two new major product lines later this year.



A sampling of the many "Disston" blades for metal cutting.

New products and additions to existing lines at each of the four plants helped growth during the year, and the advance should continue. Housing starts are expected to increase, resulting in good sales for both the hardware and lumber industry products; and stability in the steel and metalworking areas will aid sales of metal cutting lines.



Recently-installed numerically controlled machining center at Philadelphia is utilized in manufacturing operations for valve discs, knives, and circular saw blades.

OPERATIONS REPORT *International*

H. K. Porter Australia Pty. Limited

Handsaws, hardware, circular saws and saw milling equipment, automotive and industrial friction materials. Plants at Perth and St. Marys, Australia.

Steven A. Colman

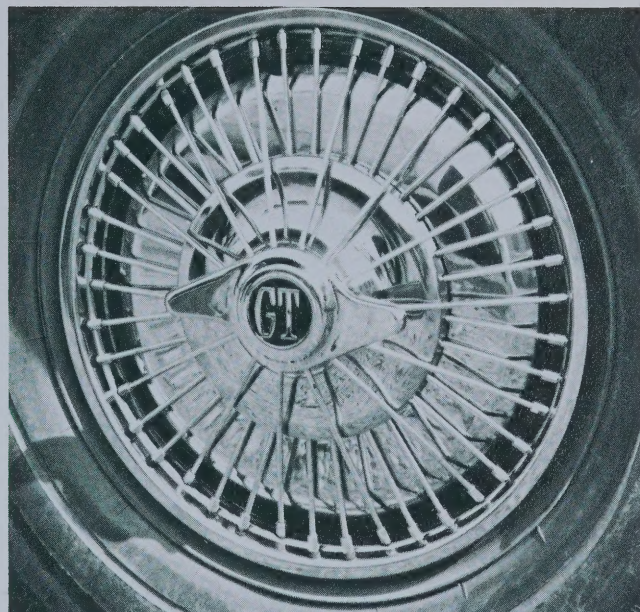
Managing Director

Sales went up in all product lines, and production capacity was expanded to meet demand.

The Disston Division added new products, particularly in the hand and bow saw line, and increased exports to New Zealand and Southeast Asia. Enlarged facilities at Perth now permit manufacture of all circular saw blades at that location.

Thermoid clutch facing production more than doubled; sales are expected to continue rising as additional vehicle manufacturers approve the facings. Brake linings were marketed through distributors and the Porter-Australia chain of bonding and brake service stations in Sydney and Melbourne.

In September, a small company was acquired and formed into the Accessories Division. It supplies wheel trim and wheel covers for vehicles.



Typical simulated wire wheel cover manufactured by new Porter-Australia Accessories Division.



New hydraulic press for production of Porter-Australia wheel covers.

H. K. Porter do Brazil (Alcace) S.A.

Electrical equipment for industrial and utility use, including lightning arresters, fuse cutouts, switches, terminators, electric motors, connectors and motor starters. Plants at Maua, Recife and Sao Paulo, Brazil.

Carlo Begnozzi

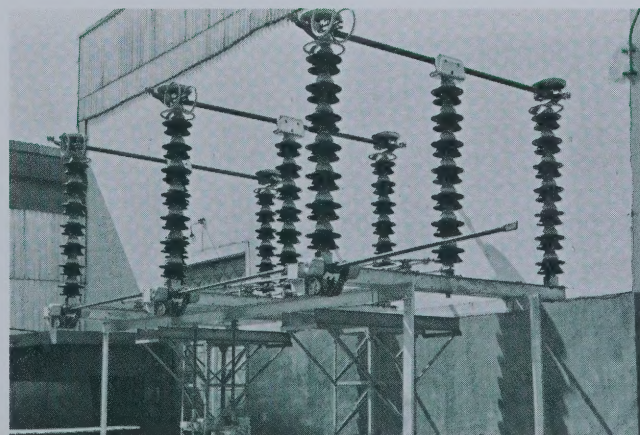
General Manager

New products and expanded lines contributed to increased sales, with gains expected to continue through 1969.

In strengthening its position as a leading supplier to the electrical utility industry, Porter-Brazil began manufacturing porcelain insulators, expanded the fuse cutout line to 220 KV, introduced aluminum disconnect switches to 220 KV, and continued full service assistance to utilities.

With successful penetration of the fast-growing automotive market, the line of Thermoid brake blocks is being expanded; and Thermoid distributors will be established in all major cities.

The new plant in Recife has been constructed and



A PM-40 345 KV disconnect switch manufactured by Porter-Brazil.

necessary equipment installed, enabling manufacture of electric motors up to 10 horsepower. At the Maua electrical equipment plant, the foundry will be enlarged to permit production of special aluminum alloys.

H. K. Porter Company (Canada) Limited

Metal and wood cutting saws and blades, machine knives, trowels, refractories, automotive hoses, clutch facings, brake linings, vinyl electrical tape, electrical underfloor duct and surface raceway systems, transformers, fittings, electrical switch gear, current collector systems, industrial plugs and insulators. Plants in Vancouver, British Columbia; Acton, and Woodstock, Ontario; St. Romuald, Quebec.

Eric L. Dalton

President

Lengthy strikes at the Disston, Federal Wire & Cable, and Thermoid Divisions seriously affected sales performance during 1968. A decline in construction activity and generally tight money also reduced Nepco Division sales, but profit margins were maintained.

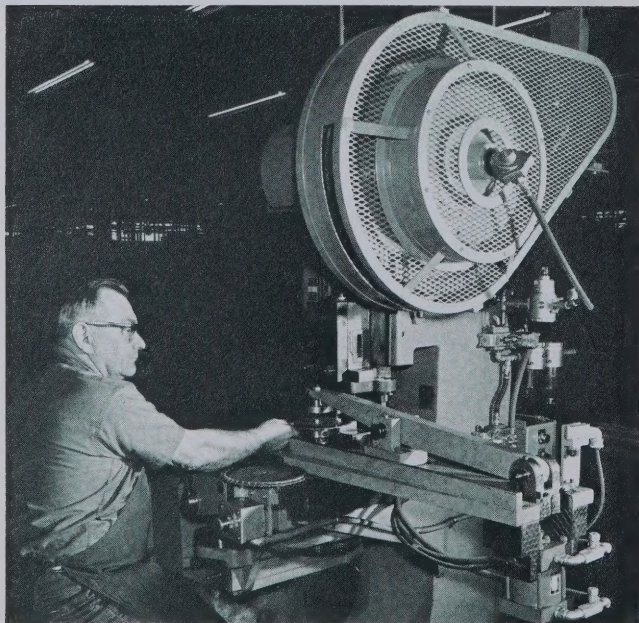
The acquisition of J. P. Ruel Inc., in Quebec, considerably broadened the "Disston" product line, particularly for carbide tipped circular saw blades and cutterheads sold to the large Quebec furniture industry. In addition, it provides an advantageous location for close customer contact and delivery.

At Acton, the Disston Division strengthened capabilities in the small circular saw blade line with installation of new specialized equipment: grinding machine, setting and sharpening machines, blanking press, and toothing press. A new heat treating furnace will increase production of handsaws.

To better supply several new customers, the Thermoid Division added larger sizes to the clutch facing line for trucks. Further expansion in the line is planned for 1969.

In addition to more emphasis on product training and call effectiveness, Porter-Canada has strengthened the marketing organization by concentrating on sales product line specialization.

Since the close of the year, Cansfield Electrical



Recently-installed high speed notching press stamps teeth on small circular saw blanks at the Disston plant in Acton.

Works Limited was acquired. This company is a well-known Canadian builder of distribution transformers, and will become the basis for the entry of Porter-Canada into this business. A large addition to the Woodstock plant will be made in order to provide room for expanded transformer manufacture.

PORTER-EUROPE

During 1968, all European operations of H. K. Porter Company, Inc. were consolidated under one management control, with headquarters in Paris. This move is directly aimed at achieving greater coordination among the facilities in England, France, Holland, and Scotland for effective marketing both in and out of the Common Market.

Peter K. Studner

General Manager, European Operations

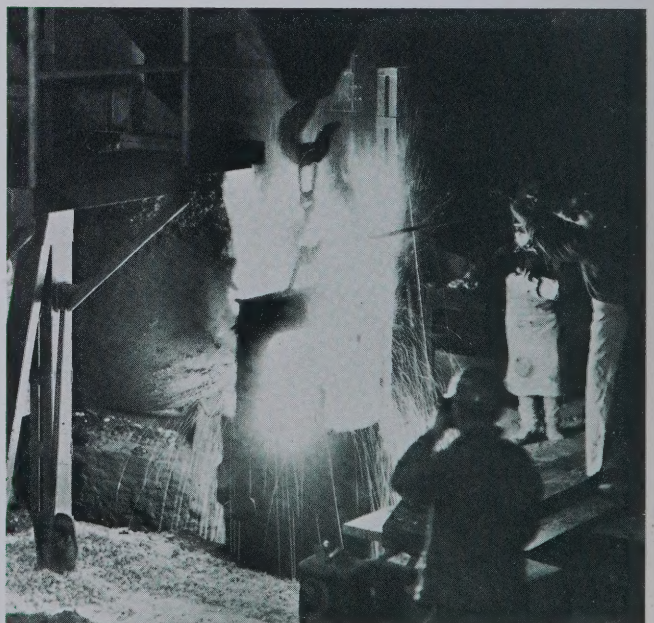
France

Railway freight and tank cars, vehicle components, carbon and alloy steel castings for heavy industry, fabricated equipment for the petrochemical and steel industries, pressure vessels, hydraulic components such as pumps, distributors, jacks, control systems, vinyl electrical tapes, industrial hoses and hand tools. Plants at Haillicourt and Marpent, France.

In France, despite rising labor costs and widespread worker unrest and strikes during May, both the Marpent and Hydraulics Divisions improved profits over 1968.

Marpent continues to be a significant supplier of railroad cars, axles, and related equipment throughout the world. Export sales of other products progressed satisfactorily, particularly for cast steel valves used in the petrochemical industry.

At the Hydraulics Division, a program of im-



Steel pouring in converter ladle at Marpent Division.

proving marketing techniques and upgrading product lines will continue into 1969. Increased emphasis on exports is planned to complement French business in the automotive and materials handling fields.

Great Britain

Aircraft and engine accessories including special lines of fasteners, clamps and couplings. Airplane arrester and proximity delivery systems. Cargo control and special winching equipment. Industrial clips and clamps. Thin-wall stainless steel tubing. Synthetic and natural rubber products including hoses, moldings, extrusions, gaskets, conveyor belting and printing blankets, brake linings and clutch facings. Plants at Newcastle, England; Glasgow and Stirling, Scotland.

During 1968, sales in the United Kingdom were adversely affected by depressed economic conditions. Nonetheless, steps taken at each plant location helped to moderate its sales decline and will improve sales in the coming year.

At the Friction Materials Works, manufacturing methods were changed to accord with the methods used in the Netherlands. This permitted the transfer of clutch facings for Scandinavia from the overloaded Netherlands plant to Newcastle, thus benefiting both operations.

On the encouraging side, Engineering Works received substantial orders from the British Government and other purchasers for aircraft arresting gear and auxiliary equipment. Deliveries started in January, 1969 and will continue to the first quarter of 1970. As a long term project, plans are also being developed to promote sales to civil passenger aircraft markets.

At the Stirling Rubber Works, new products introduced in 1968 are expected to improve sales in the coming year. One of these, already on the market, is a patented hose design that has received an excellent reception from the oil industry.



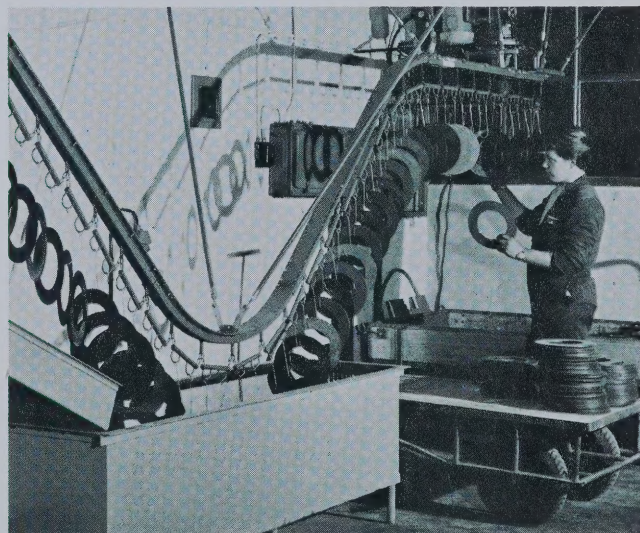
A multiple-use flexible rubber hose produced at the Stirling rubber plant.

Netherlands

Industrial and automotive friction products including brake blocks, brake linings and clutch facings. Plant: Klazienaveen, Netherlands.

Sales increased considerably during 1968, mainly because of wider acceptance of Thermoid clutch facings by original equipment manufacturers. To help widen markets in Germany and Scandinavia, emphasis was placed on improving service.

In the program to modernize manufacturing facilities, a new yarn treating tower and a rust impregnation system were installed. Also, necessary improvements in brake block production were made to permit the introduction of a new and higher quality product. These efforts are expected to show positive results in both original equipment and replacement markets.



New rust impregnation installation for clutch facings at Klazienaveen, Holland.

H. K. Porter Company de Mexico, S.A.

Automotive brake linings and clutch facings, handsaws and trowels. Plant: Mexico, D.F.

Rafael Conde V.

General Director

Strong demand for Porter-Mexico products continued in 1968. Handsaw sales increased substantially over the previous year, setting new sales records. Both clutch facing sales and production improved significantly during the second half of the year, and the improvement should extend into 1969.

Production control and quality control procedures were strengthened to better serve customer requirements. In addition, product testing equipment was installed to achieve an independent inspection capability. New finishing equipment facilitates meeting customers' scheduling requirements. Marketing programs were reorganized to achieve greater coverage of the Mexican market.



Porter-Brazil supplied all disconnect switches (138 KV) for this substation of a major Brazilian utility.

PORTER

**H. K. PORTER COMPANY, INC.
PITTSBURGH, PENNSYLVANIA**